Claiming Our Future IDEAS Income Inequality Briefing Sheet

Briefing Note Number One – income inequality

This briefing note aims to give facilitators and participants some basic facts, information and tools about income inequality and poverty.

Definitions

Gross Income is before any state taxes or transfers, net income is what you end up with.

Income comes from a number of sources.:

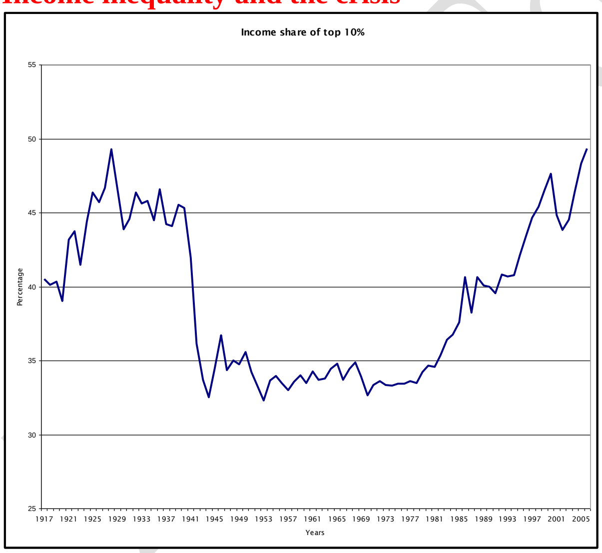
- Ownership of stocks or shares in a business. People claim part of the profit of the business, and this is usually paid as a six monthly dividend.
- Interest earned from capital that has been saved in banks or other financial institutions.
- Most people's income comes in the form of wages while others depend on the social welfare system.
- Public and private pensions .

Wealth

- Wealth is what you own minus what you owe. Wealth comes in different forms: homes, liquid assets such as savings in the bank, other property, and corporate stocks and shares.

Debt (negative wealth) also comes in different forms: mortgages, credit cards, student loans, auto loans, moneylenders' loans, and family loans. Debt is a major issue for many people.

Income inequality and the crisis



This chart shows global inequality peaked in 1929and 2005, and highlights the close association between inequality and crisis in capitalism. In both eras rising inequality meant some people or countries simply had too much money and greedily used it to invest in unproductive and speculative financial markets which ultimately collapsed.

Using the TASC (HEAP 2006 income data)

Top 0.5 per cent live on incomes of €600,000 or more.
Top five per cent live on incomes exceeding €134,000
Top ten per cent live on €115,000 or more
Next 58 per cent live on less than €40,000
Bottom 26 per cent survive on less than €20,000.

Gender inequality

Women earn only 7% that of men and after hours worked are taken into account the gender pay gap is about 90%. Over 75% of part time workers are women and they make up the majority of low paid and minimum wage workers. Lone parents are at very high risk of poverty and deprivation They are also less likely to have pension coverage. In addition women are more likely to be managing poverty and delaing with the stress of debt.

Is Ireland becoming more unequal

Since the crisis the official data shows greater numbers of Irish people living in poverty but income inequality actually decreased. Over 2008-2009 social welfare payments were protected from significant cuts and the income of the top 10% decreased nonetheless unemployment meant consistent poverty rose from 4.2 to 5.5% from 2008 to 2009' Official statistics have not yet captured the dynamic for 2010 when social welfare was cut and the incomes of the rich recovered. We can expect poverty to have increased and we don’t know whether the decrease in inequality will be reinforced or reversed.

Table 5.2: Indicators of poverty and inequality 1994-2009

Indicator	1994	1998	2001	2003	2005	2008	2009
Consistent Poverty	9%	6%	4.1%	9.4%	6.5%	4.2%	5.5%
Relative Poverty at 60% of median income	15.6	19.8	21.9	19.7	18.5	14.1	14.1
S80/20*	5.1	5.0	4.5	5.0	5.0	4.6	4.3
Gini Co-efficient**	33	33	29	31	32	30.7	29.3

Source: Kirby and Murphy, 2008; CSO 2010a: 20.

*The S80/S20 ratio is the ratio of the total income received by the 20% with the highest income to that received by the 20% with the lowest income. The higher the ratio the greater the inequality
**The Gini coefficient measures the full spread of inequality of distribution of income in a country (rather than differences between the top and bottom). The higher it is the greater the inequality

Rich are doing fine!

Globally and nationally, the rich are recovering income lost over the crisis & growing in numbers
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Source		
TASC	CEO pay of 21 most successful companies (+46% 2007-9)	1.1m 2007 1.6m 2009
Alliance Global Wealth Report	Ireland clustered with Canada and France).	€307 billion in financial assets from 2008-2009
World Wealth Report	High Net Worth Individuals (HNWI’s)(+ 10% 2008-2009) Ultra High Net Worth Individuals (+181 people with 30m +)	18,100 HNWI’s in 2009 with net assets (excluding domestic residences and luxury goods) of one million +